

13 October 2022

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

Level 23, Unit 23-2, Menara AIA Sentral

No. 30, Jalan Sultan Ismail

50250 Kuala Lumpur

Attention: Devanesan Evanson  
Chief Executive Officer

Dear Sir/Madam,

**Re: 19<sup>th</sup> Annual General Meeting (“AGM”) of Kein Hing International Berhad (“KHIB” or “the Company” or “the Group”) to be held on Thursday, 13 October 2022**

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With reference to your letter dated 12 September 2022, we are pleased to answer the points you have raised in the interest of minority shareholders and all other stakeholders of the Group.

**Operational & Financial Matters**

1. Financial Performance

<i>(In RM'000)</i>	<i>FY2022</i>	<i>FY2021</i>	<i>FY2020</i>	<i>FY2019</i>	<i>FY2018</i>
<i>Revenue</i>	<i>276,711</i>	<i>253,108</i>	<i>202,288</i>	<i>235,344</i>	<i>238,322</i>
<i>Profit for the year</i>	<i>19,269</i>	<i>13,385</i>	<i>3,468</i>	<i>5,113</i>	<i>3,378</i>

*(Source: Page 18 of the Annual Report 2022)*

*In Financial Year 2022 (FY2022), KHIB recorded revenue of RM276,711,000 and a profit of RM19,269,000. Both the revenue and profit for the year are the highest since FY2018.*

*What is the prospect of maintaining such good performance in the following financial year? What is the outlook for KHIB's businesses in FY2023?*

KHIB's reply:

For the 1<sup>st</sup> quarter of FY2023 ended 31 July 2022, the Group achieved a revenue of RM 80.9 million compared with RM 75.2 million reported in the 4<sup>th</sup> quarter of FY2022, representing a growth of 8% mainly contributed by Vietnam Operation. Barring any

unforeseen circumstances, the Group is expected to achieve the desired performance in the financial year ending 30 April 2023 in view of the potential growth in Vietnam Operation.

## 2. Factory Utilisation Rate

*What is the previous, current and targeted utilisation rate for KHIB's factories in Malaysia and Vietnam?*

KHIB's reply:

The capacity utilisation rates for the Group's factories in Malaysia and Vietnam normally fluctuate from 60% to 80% depending on customer demand from time to time. These are also the targeted utilisation rates that the Group expects for KHIB's factories in FY2023.

## 3. Malaysia Operation

*In Malaysia, the Group invested and will continue to invest in new machines and equipment with newer technology that can enhance its manufacturing capability and engineering services particularly in production and manufacturing of parts for the automotive industry (Page 17 of the Annual Report 2022).*

*(a) How much fund has been disbursed for the investment in the machines and equipment? What is the budget for the new machines and equipment in FY2023?*

KHIB's reply:

(a) During the FY2022, a total capital expenditure of RM 5.0 million has been disbursed for the investment, and the budget for the new machines and equipment in FY2023 is also forecasted at approximately RM 5.0 million.

*(b) What improvements have been achieved, to-date?*

KHIB's reply:

(b) These investments ensure that the Group is able to meet the stringent quality requirements set by the customers, and thus sustaining its revenue in this competitive industry.

## 4. Vietnam Operation

*(a) KHTV further embarks on construction of a single-storey factory namely KHTV Factory Phase II with a built-up of approximately 53,000 square feet which is expected to be completed in December 2022 (Page 23 of the Annual Report 2022).*

*What is the progress of the construction of KHTV Factory Phase II? Is the Construction work on schedule?*

KHIB's reply:

(a) The estimated % of completion in October 2022 is about 70%, and the construction work is on schedule.

Vietnam Operation (continued)

*(b) The growth in customers' demand for parts and metal components in Vietnam has created great opportunity for the Group to expand its manufacturing business in Vietnam (Page 13 of the Annual Report 2022).*

*(i) What is the current state of the customers' demand for the Group's products in Vietnam?*

*(ii) What is the targeted growth rate for the Group's product sales in Vietnam in the next two financial years?*

KHIB's reply:

(b) (i) For the 1<sup>st</sup> quarter of FY2023 ended 31 July 2022, Vietnam Operation contributed a revenue of RM 41.9 million or about 52% of the Group's total revenue of RM 80.9 million.

(b) (ii) The targeted growth rate for the Group's revenue in Vietnam in the next two financial years is expected to be ranging from 5%-10%.

**Corporate Governance**

5. *As discussed on Page 61 of the Annual Report 2022, the total amount paid for non-audit fees to the Auditors amounted to RM137,621. This was 52.67% of the total audit fees of RM261,285.*

*(a) Apart from RM12,000 paid for the review of the Statement on Risk Management and Internal Control (SORMIC), please provide the breakdown for the other non-audit services provided by the Auditors.*

KHIB's reply:

(a) The breakdown of the non-audit fees is as follows:

<b>Non-audit Fees</b>	<b>Ringgit Malaysia ("RM")</b>
Review of Statement on Risk Management and Internal Control	12,000
Malaysian income tax computation	33,800
Vietnamese income tax & services	91,821
<b>Grant Total</b>	<b>137,621</b>

*(b)What is the audit committee’s policy when it comes to non-audit fees paid to the external auditor? Is there a percentage limit?*

KHIB’s reply:

(b) Currently, the Company has no policy in relation to the non-audit fees over the audit fees. As non-audit fees are mainly due to engagement for tax services, the Group will review whether it is more beneficial to engage other tax service providers moving forward.

We thank Minority Shareholder Watch Group (“MSWG”) for its continuing interests in our Company and we take this opportunity to highlight that the Board of Directors of KHIB fully supports the work of MSWG in promoting good corporate governance best practices in PLCs.

Thank you.

Yours sincerely,

For and on behalf of

KEIN HING INTERNATIONAL BERHAD

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Yap Toon Choy

Managing Director

c.c. Company Secretary